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Global Agricultural Information Network

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SOUTHERN CROSS AG OUTLOOK - AUSTRALIA AND NEW ZEALAND - DEC 2013

Report Categories:

Agriculture in the News

Biotechnology - GE Plants and Animals

Agriculture in the Economy

Country/Regional FTA's

Dairy and Products

Livestock and Products

Trade Policy Monitoring

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Report Highlights:

Record month for red meat production; Farm exports booming; Australia/Korea free trade agreement; Poo power aids Indonesia; Agricultural competitiveness white paper; Traces of GM canola found in conventional samples; NZ – milk production breaks spring peak record again; Red meat sector program formalized and set to boost farmer productivity and profitability; Dairy product prices continue to defy gravity, Fonterra farmer milk payout stutters.

We hope that you will enjoy this edition of the Southern Cross Ag Outlook. The entire FAS team in Australia and New Zealand have been working hard to create a vehicle that will provide a brief, practical and easy-to-read synopsis of current news and events affecting the agricultural sectors in Australia and New Zealand. Our goal is to provide you with an overview that gives you quick insight and news that you can use in a summary format. We also provide links to more detailed articles and GAIN reporting if you want to learn more about a particular story.

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We are always striving for continual improvement in our products and services. Your feedback will help us tremendously in those efforts, and so I encourage you to send us any suggestions or comments you may have. With your help, our goal is to make this publication an even more informative and interesting read.

Happy Reading!

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This report, Southern Cross Agricultural Outlook from Australia and New Zealand is a summary of issues of interest to the agricultural communities around the globe. The report includes information collected during travel within these two countries, reports in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.

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AUSTRALIAN NEWS



TRADE STATISTICS

U.S. EXPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS TO AUSTRALIA (In Millions of US\$)		
	Calendar Year Jan-Dec 2012	% Change Jan-October 2013 versus Jan-October 2012
Agriculture Fish & Forest Products	\$1,613.4*	Up 2.6%
U.S. IMPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS FROM AUSTRALIA - (In Millions of US\$)		
	Calendar Year Jan-Dec 2012	% Change Jan-October 2013 versus Jan-October 2012
Agriculture Fish & Forest Products	\$2,705.0*	Up 2.3%

Source: BICO Reports – Bulk, Intermediate and Consumer
 * Denotes Highest Import Levels Since at Least CY1970

RECORD MONTH FOR RED MEAT PRODUCTION

Australian beef and veal production during October was up 8% year-on-year, at 219,824 MT cwt – reaching the highest October production level on record, according to recently released Australian Bureau of Statistics data. Meat and Livestock Australia reports production was up across all states. While slaughter and production rates were up significantly, average adult carcass weights were lower, year-on-year. (Source: [FarmOnline](#)).

October was also a record month for lamb & mutton production. According to ABS data, Australian lamb production reached new highs in October, at 44,348 MT cwt – the largest production month on record and up 16% on the corresponding period last year. Australian mutton production during October was up 29% year-on-year, at 23,196 MT cwt – the largest monthly volume since February 2008. (Source: [FarmOnline](#))

FARM EXPORTS BOOMING

Higher export forecasts for beef, veal, wine, and dairy should drive Australian farm exports to a record high of about \$38 billion in 2013–14 (July-June), according to the latest Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) assessment.

Dairy and large sheep operations saw the biggest prospects in overseas markets according to survey results, with 47% of respondents in each of those sectors naming export demand as the greatest opportunity. The forecast export figures would represent about 8% above the average over the five years to 2012-13 in real terms, and a record high in nominal terms according to ABARES.

Export earnings are forecast to increase by 12% for beef and veal; 24% for dairy products; 4% for wine, and by 6.2% for fisheries products. Reflecting mainly the impact of lower world prices for grains and oilseeds, the value of crop exports is forecast to decline by 7.4% in 2013–14 to around \$21.3 billion.

During this financial year (July-June), farm production is forecast to rise by 2.9%, crop production is forecast to rise by 3.9% and livestock production is forecast to increase by 1.6%. The gross value of farm production is forecast to increase by 6.3 per cent to \$50.9 billion in 2013-14, compared with a small decline of 0.3 per cent in 2012–13. (Source: [ABARES](#))

AUSTRALIA/KOREA FREE TRADE AGREEMENT

Australia has concluded negotiations for a Free Trade Agreement (FTA) with the Republic of Korea, Australia's third-largest goods export market and fourth-largest trading partner. As part of the FTA, tariffs of up to 300% will be eliminated on key Australian agricultural exports such as beef, wheat, sugar, dairy, wine, horticulture and seafood, as well as resources, energy and manufactured goods.

Agricultural exports to Korea are expected to grow by 73% over 15 years as a result of the FTA. Key outcomes for agriculture can be found [here](#).

POO POWER AIDS INDONESIA

AUSTRALIAN companies with an interest in the cattle trade in Indonesia are being asked by Indonesian officials to get involved in a simple but practical project which has the potential to revolutionize the lives of the country's farmers and villagers. The idea to help communities turn their plentiful source of cow manure into biogas and give them fuel for cooking and lighting has been facilitated by cattle importer Agro Giri Perkasa. (Source: [FarmOnline](#))

AGRICULTURAL COMPETITIVENESS WHITE PAPER

Released just days after the resolution of a free trade agreement (FTA) with Korea and in the midst of Trans-Pacific Partnership (TPP) and World Trade Organization global trade talks, the federal government's Agriculture White Paper provides a "once-in-a-lifetime opportunity" to examine the sector's global competitiveness says Agriculture Minister Barnaby Joyce.

"We have a unique set of assets in Australia, and proximity to the fastest growing markets in the world," Mr Joyce said.

Announcing the terms of reference of the Agriculture Competitiveness White Paper, the

Minister said the goal of the paper would be to generate jobs, impact farm gate returns, and boost investment and economic growth.

The White Paper will develop recommendations for boosting agriculture's contribution to economic growth, export and trade, innovation and productivity by building capacity and enhancing the profitability of the sector - described by the Coalition as a key export industry and one of five pillars of the economy. An issues paper for the Agriculture Competitiveness White Paper will be released in the coming weeks ahead of extensive consultation with industry and the community. Terms of reference and issues papers are available at:

<http://agriculturalcompetitiveness.dpmc.gov.au/>
(Source: [Minister for Agriculture](#))

TRACES OF GM CANOLA FOUND IN CONVENTIONAL SAMPLES

GrainCorp has confirmed there have been trace levels of genetically modified (GM) canola in samples of conventional canola delivered in central Victoria, but said levels were still far below prescribed adventitious presence (AP) levels. The company said there have been no issues with GM canola accidentally being tipped off as conventional canola, but simply very low levels of GM material in a conventional sample. (Source: [FarmOnline](#))

Victoria is one of only three Australian states which permit commercial plantings of GM canola. The other two states are New South Wales and Western Australia.

NEW ZEALAND NEWS



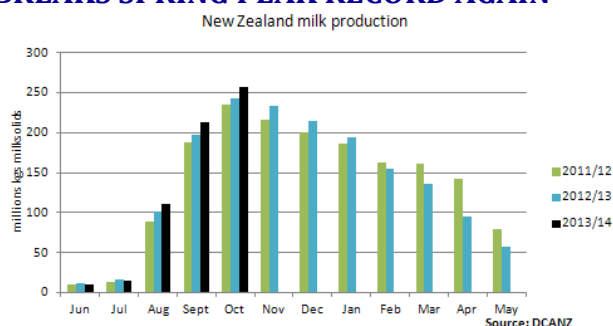
TRADE STATISTICS

U.S EXPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS TO NEW ZEALAND - (In Millions of US\$)		
	Calendar Year Jan-Dec 2012	% Change October 2013 versus Jan-October 2012
Agriculture, Fish & Forest Products	\$411.3 *	Up 5.0%
U.S. IMPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS FROM NEW ZEALAND (In Millions of US\$)		
	Calendar Year Jan-Dec 2012	% Change 2013 versus Jan-October 2012
Agriculture, Fish & Forest Products	\$2,479 .9*	Down 0.8%

Source: BICO Reports – Bulk, Intermediate and Consumer

* Denotes Highest Import Levels Since at Least CY1970

NEW ZEALAND – MILK PRODUCTION BREAKS SPRING PEAK RECORD AGAIN



Milk production in NZ during the month of October 2013 was 5.8% higher than the same month in 2012. The data released by the Dairy Companies Association of NZ for October brings season to date growth in production to 6.6%. This is primarily due to the good pasture growth conditions experienced through the winter and on into the spring coupled with the very high milk payout forecast which allowed farmers to cover any short term feed deficits with supplementary feeds.

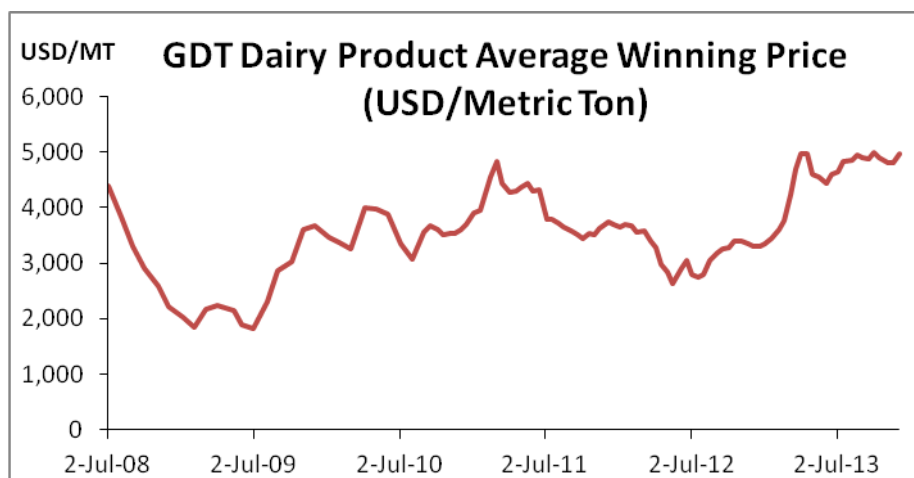
RED MEAT SECTOR PROGRAM FORMALIZED AND SET TO BOOST FARMER PRODUCTIVITY AND PROFITABILITY

On December 11, 2013 the Ministry for Primary Industries (MPI) in New Zealand announced the “Red Meat Profit Partnership, a new program under the MPI's Primary Growth Partnership (PGP), The Red Meat Profit Partnership is a \$64 million sector development program of which \$32.1 million is funded by the Government through the Primary Growth Partnership, with the remainder supported by meat processors and exporters, a bank, and sheep and beef farmers. For more information on the Red Meat Profit Partnership go to:

<http://www.mpi.govt.nz/news-resources/news/red-meat-sector-programme-formalised>

and to read more about the Primary Growth Partnership science and innovation model go to: <http://www.mpi.govt.nz/agriculture/funding-programmes/primary-growth-partnership.aspx>

DAIRY PRODUCT PRICES CONTINUE TO STRENGTHEN, FONTERRA FARMER MILK PAYOUT STUTTERS, ALLOWS COMPETITORS TO SNEAK AHEAD ON MILK PAYOUT



The chart above shows the trend in international dairy product prices. The data is taken from the results from the two weekly Global Dairy Trade (GDT) auctions. There seems to be no letup in demand for dairy products even though recent forecasts suggest supply out of the EU and the US will increase over the next twelve months. New Zealand production is likely to be up around 7% for the 2013/14 production season over the previous season.

The latest update from Fonterra regarding its payout to farmers and dividend guidance confirms the record milk payout at \$NZ8.30/kg Milk Solids despite \$NZ9.00/kg Milk Solids being the level that they should be paying according to the milk price manual. In addition Fonterra cut its dividend estimate from \$NZ0.32 to \$NZ0.10. The extra-ordinarily high milk powder prices have meant farmers milk prices will increase 42% year on year but have placed Fonterra in a difficult position. The raw milk price manual sanctioned under the Dairy Industry Restructuring Act as the methodology to calculate the farmer milk price is based primarily on the export returns for whole and skim milk powders. Fonterra can process a maximum of 70% of its milk intake into powders, and the balance must be processed into products such as cheese and

casein whose prices haven't kept pace with powder prices. In addition its value-add consumer product businesses haven't been able to increase prices enough to maintain margins over the cost of the raw milk when it is valued on the basis of the powder prices. Fonterra, citing the abnormal circumstances has invoked its discretion to override the raw milk price manual and hasn't increased the milk price to \$NZ9.00/kg Milk Solids (MS). In addition, because its profits are threatened, the dividend estimate has been cut by two thirds.

One of the smaller dairy companies who is able to process nearly all of its milk intake into powders has now said in the media it expects to pay its farmer suppliers \$NZ0.20 to \$NZ0.30 more per kg on a milk solids basis than the Fonterra price.
